



STATE OF MICHIGAN

GRETCHEN WHITMER  
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
LANSING

ELIZABETH HERTEL  
DIRECTOR

**IV-D MEMORANDUM 2021-013**

**TO:** All Friend of the Court (FOC) Staff  
All Prosecuting Attorney (PA) Staff  
All Office of Child Support (OCS) Staff

**FROM:** Erin P. Frisch, Director  
Office of Child Support

**DATE:** June 7, 2021

**SUBJECT:** Child Tax Credit and Retirement, Survivors, and Disability Insurance (RSDI) Dependent Benefits Updates

**UPDATE(S):**

☐ Manual

☒ Form(s)

**ACTION DUE:** None

**POLICY EFFECTIVE DATE:** Upon receipt

**PURPOSE:**

This IV-D Memorandum describes updates to IV-D staff procedures for documenting and calculating the Child Tax Credit which was initially increased in the Tax Cuts and Jobs Act of 2017.<sup>1</sup> The American Rescue Plan of 2021 increased the Child Tax Credit<sup>2</sup> and Child Dependent Care Tax Credit<sup>3</sup> for the 2021 tax year. The Friend of the Court Bureau within the State Court Administrative Office (SCAO) provided additional guidance for the American Rescue Plan in its Administrative Memorandum (ADM) 2021-02.<sup>4</sup>

This IV-D memorandum also describes how IV-D workers will document certain factors pertaining to the calculation of Retirement, Survivors, and Disability Insurance (RSDI) dependent benefits in child support obligations. This process was recently clarified in the [2021 Michigan Child Support Formula](#) (MCSF).<sup>5</sup>

<sup>1</sup> Ref: Section 11022 of the [Tax Cuts and Jobs Act of 2017](#) for more information on the Child Tax Credit.

<sup>2</sup> Ref: Part 2 – Child Tax Credit, Section 9611, “Child Tax Credit Improvements for 2021,” of the [American Rescue Plan](#) for more information on the Child Tax Credit increase.

<sup>3</sup> Ref: Part 4 – Dependent Care Assistance, Section 9631, “Refundability and Enhancement of Child and Dependent Care Tax Credit,” of the American Rescue Plan for more information on the Child Dependent Care Tax Credit for tax year 2021.

<sup>4</sup> Ref: [SCAO ADM 2021-02, Guidance for Child Support Cases Relating to the American Rescue Plan](#).

<sup>5</sup> Ref: 2021 MCSF 2.01(I)-(K).

Additionally, this memorandum discusses revisions to the:

- Michigan Child Support Enforcement System (MiCSES) Calculator and the public Calculator;<sup>6</sup>
- *Yearly Calculation Factors* (GMCF) screen; and
- *Calculation Results* (CALCRSLT) Template.

These updates will be implemented with the MiCSES 10.8 Release on June 11, 2021.

The updates described above originally included adding functionality to both Calculators that would allow IV-D workers to include the Qualified Business Income Deduction (QBID) when estimating taxes. Since QBID impacts so few calculations and would have required very complex changes to implement, OCS and SCAO decided not to pursue it. When parents want to claim the QBID, IV-D workers will require them to provide their tax documentation and enter their actual tax data for the calculation.

## **DISCUSSION:**

Federal regulations require the IV-D program to follow statewide child support guidelines when calculating child support obligations. The MiCSES Calculator and the public Calculator comply with this requirement when calculating support. With the MiCSES 10.8 Release, the Calculators will incorporate functionality for the Child Tax Credit and improve the recording of RSDI dependent benefits.

### **A. Child Tax Credit**

The Child Tax Credit can reduce the federal tax burden for parents receiving the credit and can be used to estimate taxes when calculating child support obligations. This may increase the amount of income available to calculate the child support obligation. New fields in the Calculators will ensure IV-D staff more accurately estimate federal income tax amounts. They will also ensure IV-D staff document which parent is claiming the child(ren) for the Child Tax Credit and whether the parents are claiming the child(ren) every year or in alternating years.

The Tax Cuts and Jobs Act of 2017 increased the Child Tax Credit from \$1,000 per child to \$2,000 per child for every child under the age of 17.<sup>7</sup> Parents claiming children under the age of 17 on their federal taxes receive this credit to lower their tax liability.<sup>8</sup>

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<sup>6</sup> Ref: [Section 4.20, "Support Recommendations and Order Entry," of the Michigan IV-D Child Support Manual](#) for more information on the MiCSES Calculator and the public Calculator.

<sup>7</sup> Ref: Section 11022 of the Tax Cuts and Jobs Act of 2017 for more information on the income limits to receive the Child Tax Credit for tax years 2017 - 2020. Ref: Part 2 – Child Tax Credit, of the American Rescue Plan for more information on the income limits to receive the Child Tax Credit for tax year 2021.

<sup>8</sup> Parents receiving the Child Tax Credit in tax years 2017 - 2020 may receive a refundable credit up to \$2,400.

For tax year 2021 only, the American Rescue Plan of 2021 increased the Child Tax Credit:

- From \$2,000 per child to \$3,000 per child for children ages 6 through 17; and
- To \$3,600 for children ages 5 and under.<sup>9</sup>

## 1. GMCF Screen Updates

Standard calculation factors are documented on the GMCF screen and serve as the basis for the calculations in the MiCSES Calculator and the public Calculator. Some factors on the GMCF screen are updated yearly by the Central Table Administrator, including the federal tax rates and cost of living indexes.

With the 10.8 release, a *Child Tax Credit Amt* field will be added to the GMCF screen and populated with the increased \$3,000 Child Tax Credit amount for the 2021 tax year.

In the *Child Tax Credit Amt* field, tax year 2017 will have \$1,000 and tax years 2018 - 2020 will have the increased amount of \$2,000. Tax year 2021 will have \$3,000 in that field because it is the newest Child Tax Credit amount from the American Rescue Plan, and it is the amount an individual will qualify for regardless of the age of the dependent.

Note: If the parent is claiming a child who is age 5 and under, IV-D staff will manually adjust the credit from \$3,000 to \$3,600, either by adding \$600 annually or \$50 monthly.<sup>10</sup>

## 2. MiCSES Calculator Updates

Two fields will be added to the *Deductions* section of the *Financial* tab:

- *Child Tax Credit Children Claimed Every Year*; and
- *Child Tax Credit Children Claimed Alternating Years*.

IV-D staff may enter the number of children claimed into one or both of these fields to ensure the Child Tax Credit is more accurately calculated as a credit toward the federal tax obligation for one or both parents. The Child Tax Credit will apply to both parents' income only when each parent claims the same child(ren) in alternating years.

IV-D staff may document when a parent is claiming the child(ren) on federal taxes either every year or in alternating years. If the parents claim the child(ren)

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<sup>9</sup> The Child Tax Credit for tax year 2021 may be entirely refundable, while the Child Tax Credit for 2017 - 2020 may be refundable only up to \$2,400.

<sup>10</sup> Ticket number 10001152 has been entered to have MiCSES assess the age of the child so the parent will receive the appropriate Child Tax Credit amount.

as a dependent in alternating years, the \$3,000 Child Tax Credit per child will be split between both parents, and each parent will receive \$1,500 as a tax credit on the calculation. If only one parent claims the child(ren) as a dependent every year, the parent claiming the child will receive \$3,000 as a tax credit on the calculation.

See the table below for two examples – one for tax year 2020 and the other for tax year 2021. Both examples include three children (all under 17). In each example, two children are claimed by one parent every year, and one child is claimed by each parent every other year.

<b>Tax Year</b>	<b>Parent</b>	<b>Children Claimed Every Year</b>	<b>Amount of Tax Credit</b>	<b>Children Claimed in Alternating Years</b>	<b>Amount of Tax Credit</b>	<b>Total Child Tax Credit Amount</b>
2017 - 2020	Parent A	2	\$2,000	1	\$1,000	\$3,000
	Parent B	0	\$0	1	\$1,000	\$1,000
2021	Parent A	2	\$6,000	1	\$1,500	\$7,500
	Parent B	0	\$0	1	\$1,500	\$1,500

## **B. Child Dependent Care Tax Credit<sup>11</sup>**

The American Rescue Plan of 2021 increased the Child Dependent Care Tax Credit from \$3,000 to \$8,000 for parents with a single qualifying child and from \$6,000 to \$16,000 for parents with two or more qualifying children. The Child Dependent Care Tax Credit directly impacts the childcare calculations for both parents.

The OCS Central Operations Central Table Administrator will manually update the Child Dependent Care Tax Credit amounts on the GMCF screen on or before June 11, 2021.

## **C. Retirement, Survivors, and Disability Insurance (RSDI) Dependent Benefits**

RSDI dependent benefits are from a government insurance program like Social Security, Veteran's Administration, or Railroad Retirement. RSDI dependent benefits are based on an adult's earnings record. How these benefits impact the calculation of the support obligation will depend on several factors.

Updates to the MiCSES Calculator will allow IV-D workers to document these factors and ensure that the dependent benefits are accurately reflected in the calculation of child support. IV-D workers will be able to document:

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<sup>11</sup> Ref: Part 4 – Dependent Care Assistance, Section 9631 of the American Rescue Plan for more information on the Child Dependent Care Tax Credit for tax year 2021.

- Whether the recipient of the RSDI dependent benefit is the custodial party;
- Whether the RSDI dependent benefits are based on the earnings record of an adult who is not a parent of the children on the order;
- Which children on the child support order are covered by the dependent benefit;
- Which children on the order are not covered by the dependent benefit because they have emancipated; and
- Whether additional children not included on the child support order are recipients of the dependent benefit.

For more information on how these benefits will impact the child support amount and for detailed examples, reference Section 3.05 of the [2021 Michigan Child Support Formula Supplement](#).

After IV-D staff select RSDI dependent benefits as the *Income Type*, MiCSES will populate the *Income Comment* section with the list of RSDI dependent benefits. The income comment will identify:

- When the dependent benefit amount is based on the earnings record of someone other than the parent;
- Whether the dependent benefit is based on the earnings record of the primary custodian of the children;
- Whether additional children are covered on the benefit; and
- The children in common on the calculation who are receiving the benefit.

The income comment is based on the factors initially chosen for the calculation; it does not change if additional edits are made to the calculation. When edits are made to the calculation, OCS recommends that IV-D staff remove the RSDI benefit *Income Comment* and re-save the calculation *Income Type* to ensure that the *Income Comment* has the most current factors.

MiCSES will also automatically populate the *Children Covered* section with the first name, last name, and date of birth for the children included on the calculation. Also, the *Included on Benefit* checkbox will be checked for all the children in common included on the calculation. The IV-D worker can add children in this section who are not included in the calculation but should be included on the dependent benefit. This ensures that the calculation will not include a benefit amount attributable to a child who is not included on the calculation. The IV-D worker can uncheck the *Included on Benefit* checkbox for children who are included on the calculation but no longer receive the dependent benefit.<sup>12</sup>

**Note:** After the MiCSES 10.8 Release, IV-D staff should review any open calculations that were started prior to the release for accuracy before completing the calculation. Some aspects of the RSDI calculation have

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<sup>12</sup> For more information on the MiCSES Calculator, reference [MiCSES Screen Description: CALC – MiChildSupport Calculator](#).

changed; therefore, OCS recommends removing RSDI as an income type and re-entering it.

#### **D. CALCRSLT Template**

With the MiCSES 10.8 Release, the following fields will be added in the *Net Income Calculation* section of the CALCRSLT Template:

- *Child Tax Credit Children Claimed Every Year*; and
- *Child Tax Credit Children Claimed Alternating Years*.

These fields will display information from the MiCSES Calculator Results page to reflect which parent is claiming the tax credit each year or in alternating years for the child(ren).

#### **NECESSARY ACTION:**

Retain this IV-D Memorandum until further notice.

#### **REVIEW PARTICIPANTS:**

Enforcement Work Improvement Team  
Establishment Work Improvement Team  
Program Leadership Group

#### **CONTACT PERSON:**

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#### **CC:**

SCAO

#### **SUPPORTING REFERENCES:**

Federal  
45 CFR 302.56  
Tax Cuts and Jobs Act of 2017  
American Rescue Plan

State  
None

**ATTACHMENT:**

CALCRSLT: Calculation Results Template

**EPF/ALC**